

Case Analysis:

Westlake Lanes: How Can This Business Be Saved?

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Westlake Bowling Lanes is the only bowling facility in Raleigh, North Carolina. Dane Sugar founded the business in the early 1970s, but suddenly died in October 2008. Since 2004, Westlake Lanes has faced declining revenues and increasing costs due to market factors and ineffective cost and operations management. Despite the business's faith in Shelby Givens' new leadership, the business is not projected to repay the board for the money it lent 16 months ago.

Section 1: Leadership Challenges

Managerial Challenges

Since Dane Sugar "managed all aspects of the business," (Hammermesh & Zalosh, 2012, p. 2) Westlake Bowling Lanes faced many leadership challenges after Dane Sugar died.

Westlake Bowling Lanes is facing numerous different leadership and managerial challenges. The first challenge is a significant lack of communication between the board of directors and the employees, which causes the employees to feel undirected, unappreciated, and unsatisfied.

Particularly, none of the full-time employees have specific job descriptions, the ability to make decisions or changes, and they do not receive feedback on their performance. Thus, the employees do not act responsibly and professionally at work, instead they are often seen talking on their cell phones or reading magazines while on the clock. This completely contradicts Peter Drucker's argument that effective executives and employees should focus on what he or she can contribute to be responsible (Drucker, 1985, p. 52). When the new general manager Shelby Givens does give feedback to the employees, several of them do not change their old habits.

The second challenge for the business is their declining financial state. Because of declining sales and increasing costs, between 2004 and 2009 revenue declined by more than 40%

and operation costs increased (Hammermesh & Zalosh, 2012, p. 2). Shelby Givens is responsible for trying to keep the business open if possible by cutting expenses and increasing revenue. To do this, Givens must continue to prioritize the business's payments by analyzing the business's financial statements and unpaid invoices. She must also continue contacting and negotiating with the existing suppliers to lower their prices and research some new suppliers that would be able to provide identical services at lower costs. Finally, Givens needs to construct a marketing strategy that will attract more customers by creating improvements that will appeal to a larger demographic.

Origin of Managerial Challenges

The main managerial challenges within the business stem from numerous sources. The evident lack of communication between the employees and the board of directors may have begun when the original owner, Dane Sugar, suddenly died. Sugar had hoped for his immediate family to take over the family business, but they declined because they were preoccupied with their own careers. Shirley Smith was promoted from within the business and Givens' uncle became influential on the board. The board members' distance from the operation could be causing the employees to feel undirected and unappreciated. The boards' distance could have also caused them to be unable to make decisions based on accurate information (Griffin, 2016, p. 100).

The declining revenue of the business could also be a result of the board members' lack of experience or possibly the previous owner's failure to set the business up for financial success in the future. It could also be a result of increasing competition which could be helped through proper marketing.

Severity of Managerial Challenges

All the managerial challenges are severe because of the time restraint; if these issues are not addressed, then it could result in the business's failure. Particularly, the lack of specific job descriptions and communication from the board to the employees are already proving to be damaging to the efficiency of the business. If the employees do not feel appreciated, then they will not be driven to work as hard causing poor customer service and a loss of customers. These challenges cause the costs to increase and the revenue to decrease.

Implications of Managerial Challenges

The employees' concern about the business being sold and their job instability might have increased their motivation to work. These unmotivated employees cause a decrease in customer satisfaction and thus a decrease in revenue. Financial challenges may have stopped the business from implementing new marketing strategies to minimize costs.

Section 2: Core Problem

The Core Problem

The core problem of Westlake Bowling Lanes is their decreasing revenue and increasing costs. While sales decreased by 40% between 2004 and 2009, employee health insurance costs increased by 8% each year (Hammermesh & Zalosh, 2012, p. 2). The sales continued to decrease after Dane Sugar invested in new scoring and bowling machinery in 2007 thus, the expenses were exceeding the revenue (Hammermesh & Zalosh, 2012, p. 5). A business that is not generating a substantial profit will not be able to compete and stay in business.

The Origins of the Core Problem

The increasing competition of activities in the area contributed to the decline in customers. The unforeseen death of the original owner forced family and friends to quickly

attempt to take over the business without background or experience causing them to blindly make poor financial decisions. Those that took over the operations were not able to devote all their abilities to the operation which caused it to run poorly. The lack of communication indicates that the board of directors did not receive accurate, timely, complete, or relevant information that was needed to make effective business decisions (Griffin, 2016, p. 100). The employees demonstrated their inability to use their time effectively by reading magazines or talking on their cell phones, when they could have been fixing the peeling wallpaper or interacting with guests (Drucker, 1985, p. 25). The decrease in both employee and customer satisfaction negatively impacted the revenue of Westlake Bowling Lanes.

Severity of the Core Problem

The imbalance between Westlake Bowling Lanes' profit and expenses could force the business to close quickly. Considering that the business had been operating on a decreasing profit between 2007 and 2009, with the loss doubling in 2009, this problem of profitability needed to be addressed immediately.

Implications of the Core Problem

It is apparent that if this trend continues, Westlake Bowling Lanes will go out of business. Aside from that consequence, this problem could cause the business to inadvertently lose its valuable and loyal employees which would cause even more problems. In addition, the growing amount of expenses could force the board of directors to invest more of their personal savings into the business, which they would lose if the business shut down.

Section 3: Solution to the Core Problem

Westlake Lanes' core problem is their increasing expenses and declining profitability. Therefore, the solution to this problem is to decrease expenses and increase revenues. Westlake

Lanes has lost money over the last three years and will soon go out of business if it does not make the changes to become profitable again.

Solution Part 1: Decrease Expenses

Westlake Lanes should first analyze their current costs and determine where the money is going to decrease growing expenses. Once a clear understanding of the business's financial situation has been established, the business should identify the different areas where they can reduce costs. This could be achieved by expanding the responsibilities for each job and hiring less employees, which would not only reduce the fixed cost of paying employees, but would serve to encourage the employees to fully utilize their strengths and be more efficient (Drucker, 1985).

Westlake Lanes should focus on decreasing variable costs by finding cheaper suppliers, discontinuing unnecessary services, decreasing hours of operation, or cutting wages or jobs. The business could incorporate more programmed decisions into its current management structure, so that the managers have more time to handle non-programmed decisions (Griffin, 2016). Reducing expenses in this way will enable Westlake Lanes to run more cost-effectively, which could ultimately help save this business with a growing revenue stream.

Solution Part 2: Increase Revenue

To increase revenue, Westlake Lanes will need to determine their current customers so that they can better serve them and potentially increase the business from their customers. The business needs to identify their target market, and then research what those customers want and how they can better improve their business to meet customers' needs. It is important that Westlake Lanes gets information and feedback directly from their customers. To increase revenue, Westlake Lanes needs a new business plan of how they will change its operations or

services to more effectively meet customer demand. Lastly, Westlake Lanes should be renovated to make it more attractive to the business's target market. The business needs to narrow its target market and modify the business model to meet the customers' needs to boost its revenue within the increasingly competitive entertainment industry.

Section 4: Implementation

The solution to Westlake Lanes' core problem is decreasing expenses and increasing revenues.

Implementation of Solution Part 1: Decrease Expenses

Shelby Givens, the manager of Westlake Lanes, focused on decreasing expenses by organizing the invoices and categorizing expenses as fixed or variable which allowed her to identify precisely where the business's greatest expenses were coming from and where she needed to cut costs. Givens was "seeking competitive rates from suppliers, renegotiating contracts, and cancelling nonessential services" (Hamermesh & Zalosh, 2012, p. 7). Givens then cut 8% of the business's fixed annual expenses. Since the health insurance plan for employees was increasing by 8% annually, she switched to a less expensive insurance. Givens also joined the Bowling Proprietors Association of America, which provided "pre-negotiated, discounted prices on nearly every small business service" (Hamermesh & Zalosh, 2012, p. 7). Lastly, Givens cut the hours of operation during the week by opening at 2pm rather than 12pm due to low business during these times of the day. Through these implementations, Givens was able to decrease expenses by 8.5% between 2009 and the beginning of 2010.

Implementations of Solution Part 2: Increase Revenue

Givens learned more about her customers by distributing a demographic survey which caused her to learn more about customers' average income and age in addition to the frequency

that they bowl and why they choose not to bowl. As a result of the survey, Givens began marketing a new bowling league to local offices as a way to build teamwork and companionship among employees after she reduced the 32-week requirement to eight weeks for bowling leagues. She continued to research the Raleigh area to find out what other customers she could attract and what types of entertainment are competing with Westlake Lanes. Through her research, she found that the Raleigh area has become “a hub for both high-tech and life sciences employees,” and that “those aged 25-44 accounted for one third of the population” (Hamermesh & Zalosh, 2012, p. 6).

Givens utilized the information she gathered from her research and customer surveys to devise two new business plans that would be built towards either families with kids or to young influential individuals. The first business plan involved adding a kid-friendly arcade and a private room for parties. The second business plan focused on creating an “urban bowling lounge” which would feature a bar, dining, and room for events (Hammermesh & Zalosh, 2012, p. 9). Givens planned to present both plans to the board of directors and then to implement whichever plan the board favored. Finally, she would be able to renovate Westlake Bowling Lanes according to that plan and hopefully witness immediate growth.

References

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